Manitoba Keewatinowi Okimakanak, Inc.

Head Office
Nisichawayasihk Cree Nation
Nelson House, Manitoba
R0B 1A0
www.mkonorth.com

Winnipeg Sub-Office
6th Floor, 338 Broadway
Winnipeg, Manitoba
R3C 0T2
Ph. (204) 927-7500
Fax (204) 927-7509

Natural Resources Secretariat
6th Floor, 338 Broadway
Winnipeg, Manitoba
R3C 0T2
Ph. (204) 949-9184
Fax (204) 949-9185

Office of the Grand Chief
DAVID HARPER

April 25, 2014

Hollis M. Singh
Secretary and Executive Director
The Public Utilities Board
400 - 330 Portage Avenue
Winnipeg, Manitoba
R3C 0C4

Dear Mr. Singh:

Re: Submission and Comments of the Manitoba Keewatinowi Okimakanak, Inc. (MKO) Manitoba Hydro Application for Interim Electric Rates Effective April 1, 2014

Please find attached the submission, comments and recommendations of the Manitoba Keewatinowi Okimakanak, Inc. (MKO) regarding the Manitoba Hydro Application for Interim Electric Rates Effective April 1, 2014.

Further to MKO's April 1, 2014 application for intervenor status and specifically as to the matter of prospective costs, MKO will not be seeking an award of costs in this matter at this time.

Sincerely,

Michael Anderson
Research Director

cc. Board Counsel
Manitoba Hydro
Intervenors

2014 Manitoba Hydro Application for Interim Electric Rates Effective April 1, 2014

Manitoba Keewatinowi Okimakanak, Inc. (MKO)
Outline of Submissions, Comments and Recommendations
April 25, 2014

SUBMISSIONS, COMMENTS AND RECOMMENDATIONS:

1. Mitigation of effects on MKO Ratepayers of 3.95% Across the Board Increase to Residential and General Service Grid Rates and Diesel Service Rates

MKO's first interest lies with the Residential, General Service and Diesel Service customers of Manitoba Hydro in the MKO First Nations.

Ideally, there should be no increase in customer rates or bills in the MKO First Nations, in particular for "Hydro Affected Customers" in the MKO First Nations. In fact, MKO continues to pursue certain rate reductions for MKO First Nation customers, including the Hydro Affected Customers and Diesel customers. However, MKO appreciates that Manitoba Hydro is facing complex financial and operational circumstances, including those associated with the Preferred Development Plan, which circumstances have been affected by the reduction in previously forecast revenues from extra provincial sales.

The impact of the proposed interim and any future rate increases on the bills of MKO First Nation customers should be mitigated to the fullest extent possible through the determined and effective application of all available measures.

Although the Board is now addressing a single across the board interim rate increase of 3.94% to be effective April 1, 2014, it is MKO's understanding that annual rate increases at approximately two times the rate of inflation for approximately the next two decades are associated with the Preferred Development Plan. MKO recommends that the Board direct Manitoba Hydro to pursue a two-tracked approach to address and reduce the effects on the bills of First Nation customers resulting from proposed rate increase and any future increases, which includes:

a) **Bill Reduction through Demand Side Management**

b) **Bill Reduction through Rate Mitigation Measures**

In this regard, MKO notes with concern the apparent information provided by Manitoba Hydro at MKO/MH I-1 a) and c) and at MKO/MH I-3 that of the total 9,855 Residential and General Service accounts in the MKO First Nations, 8,507 accounts are in arrears as of April, 2014, or 86.3% of all Residential and General Service accounts. Clearly, there is an existing issue with the ability of MKO First Nation customers to pay the present electric rates, let alone to pay the proposed interim or future rate increases. MKO requests the opportunity to explore this matter further.

2. Bill Reduction through Demand Side Management

MKO views efforts by Manitoba Hydro to reduce bills by ensuring the availability of DSM programs, particularly to low income and remote Residential customers and to General Service customers in First Nation communities, to be of the highest importance.

MKO recommends that the Board direct that the proposed interim rate increase and any future rate increases be conditional on DSM programs being universally available and practically accessible to First Nation customers. MKO also recommends that these DSM programs be provided by Manitoba Hydro on a turn-key basis to First Nation customers, as previously and recently recommended by Mr. Dunsky, including in Mr. Dunsky's April 24, 2014 submission to the Board before the NFAT proceeding.

As an immediate measure, MKO recommends that the Board direct Manitoba Hydro to incorporate Mr. Dunsky's recommendations into Manitoba Hydro's DSM programs to ensure that the DSM programs will reach low-income MKO customers.

MKO further recommends that the Board direct Manitoba Hydro to regularly report on the actual availability and penetration of the low-income DSM programs to First Nation low-income customers and on the success in reducing the bills of Manitoba Hydro's low-income First Nation customers due to the implementation of such programs in the MKO First Nations.

As a further comment in this regard, MKO remains watchful as a result of Manitoba Hydro's statement in the 2008 proceedings at T1533/7-21 that the home audit program for low income individuals would not apply to homes in the MKO communities where Manitoba Hydro perceives that the benefits would ultimately flow to Department of Indian Affairs and Northern Development Canada.

MKO notes the development since 2008 of Manitoba Hydro's programming in the MKO First Nations. MKO recommends that the Board direct Manitoba Hydro to ensure that DSM programs are universally available to all customers in all MKO First Nation communities, including in the case of those low income customers where it may appear that the government of Canada is an indirect beneficiary. MKO also recommends that the Board direct Manitoba Hydro personnel working with First Nation customers to regularly meet with MKO and the MKO First Nations to resolve any concerns, misconceptions or lack of information on the part of Manitoba Hydro (T1530-1532 of the 2008 proceedings), including regarding the ultimate beneficiaries of DSM programs in the MKO First Nation communities.

3. Bill Reduction through Rate Mitigation Measures

MKO recommends that the Board direct Manitoba Hydro to give effect to rate mitigation measures that incorporate the following elements:

a) Removal of Mitigation Costs from Rates
b) Allocation of Greater Share of Net Export Revenue to First Nation Customers
c) Establish “Equivalent to Gas” Rate for Heat Portion of Bills
d) Allocation of Net Export Revenue to Reduce Diesel Cost of Service

a) Removal of Mitigation Costs from Rates

As set out in Order 117/06, August 2, 2006, the Board acknowledged MKO's previous recommendations regarding the matter of rate mitigation for Hydro Affected Customers. MKO continues to recommend that rate design changes should take place in the form of a revised COSS model.

Specifically, MKO sought and continues to seek the removal of mitigation costs from the aggregate costs allocated to northern First Nation customers who are affected by Manitoba Hydro’s operations. The basis for the reduction would be that the “Hydro Affected Customers” should not incur any electricity charge related to mitigation costs.

b) Allocation of Greater Share of Net Export Revenue

Also as acknowledged by the Board in Order 117/06, MKO favours and continues to recommend the creation of a new class for Hydro-affected customers residing on the waterways utilized by Manitoba Hydro, which class would receive a specific sharing of net export revenue based on recognition of a fundamental change having occurred with respect to the understanding in place when First Nations entered into treaties and signed mitigation agreements with the Province, Manitoba Hydro and Canada. The change is the increased reliance on export sales, as initially, the basis for building the northern generation plants was to provide electricity for Manitobans.

c) Establish "Equivalent to Gas" Rate for Heat Portion of Bills

Manitoba Hydro confirms at MKO/MH I-4 that no MKO First Nation receives natural gas services or supplies from the Manitoba Hydro/Centra Gas natural gas distribution system. Therefore, the MKO First Nations are not able to benefit from a reduction in their bills by switching to natural gas as the primary source of home heat.

On April 25, 2014, and in response to the Elders and Traditional Land Users Panel presented by CAC (Manitoba) during the Manitoba Hydro NFAT proceedings, Manitoba Hydro circulated MH-181 which confirmed that the dwellings of Manitoba Hydro employees in Gillam are equipped with two meters in order to separately meter electricity used for home heating. Based on a review of MH-181, it is MKO’s understanding that the purpose of this dual metering is to apply a preferential electricity rate which charges Manitoba Hydro employees a “flat rate for heat”. MH-181 states that this “flat rate” is “derived from the lowest average heating costs in Winnipeg, adjusted annually”.

Subject to further clarification by Manitoba Hydro, it would appear that the determination of the "lowest average heating costs in Winnipeg" as set out in MH-181 in the NFAT proceeding would be based on the cost of using natural gas as a source of home heat, as it is well established that natural gas is the lowest cost source of home heat in Winnipeg.

In order to maintain equity in electricity rates and bills amongst Manitoba Hydro's customers in Winnipeg and in the MKO First Nations, particularly for those MKO First Nation customers north of the 53rd parallel, MKO recommends that the Board direct Manitoba Hydro to establish a flat "Equivalent to Gas" rate for electric heat for northern First Nation customers, which rate is calculated to be equivalent to the lowest average heating costs in Winnipeg, as adjusted annually.

d) Allocation of Net Export Revenue to Reduce Diesel Cost of Service

The proposed rates to be effective April 1, 2014 and following should take into account that commencing May 1, 2014, in accordance with the tentative Diesel Settlement Agreement and subject to PUB approval, a portion of Net Export Revenues is to accrue to the benefit of the Diesel Communities and be applied so as to reduce the revenue requirement in the Diesel Communities and that the Diesel Communities will receive such an allocation of Net Export Revenues based on the same principles as applied to the similar Grid Customer class.

The mechanism to address the application of net export revenues to the Diesel Communities was addressed in Order 117/06, at paragraph 1(e) of page 76, which states, "(n)et export revenue is to be allocated to the domestic customer classes, including diesel customers, using the methodology recommended by Manitoba Hydro."

The Diesel Settlement Agreement was executed in counterpart on or about November 24, 2010 by MKO and the Diesel First Nations. The Agreement had been executed on an earlier date in late 2010 by representatives of DIAND and Manitoba Hydro.

MKO has previously advised the Board that MKO and representatives of the Department of Indian Affairs and Northern Development (DIAND) were working to resolve certain administrative matters prior to the exchange of documents and the preparation by DIAND of a certified true copy of the Diesel Settlement Agreement.

MKO has recently contacted DIAND officials with the objective of resuming discussions with DIAND in order to conclude the outstanding matters.

As has been previously placed on the record before the Board, MKO, as representative of the Diesel First Nations, has made all payments to Manitoba Hydro with funds contributed by DIAND, in good faith performance of the major terms and provisions of the joint common drafts of the tentative Settlement Agreement, including the terms of the draft which was deposited by the parties in confidence with the Board on December 16, 2004.

Specifically, in December, 2004, and prior to Order 159/04, Manitoba Hydro received payment of the $3.2 million in Unpaid Surcharge Billings. Between April, 2007 and April, 2008, Manitoba Hydro received payment from MKO with funds contributed by DIAND of $23,175,700.92, including interest, toward the Undepreciated Capital Costs.

Manitoba Hydro had previously advised the Board that Manitoba Hydro had written off the Accumulated Deficit of $16,934,900 over two fiscal years.

It is MKO's objective that the Board will be provided with a true copy of the Diesel Settlement Agreement prior to the Board making a final order regarding the Interim Rate Application.

4. CONCLUDING REMARKS

a) Interim Rate subject to Roll Back or Refund

Any interim order in respect of the Diesel Communities should be subject to any roll back or refund to one or more classes of customers that may arise from the allocation effective May 1, 2014 of Net Export Revenues on a basis equivalent to that applied to domestic customer classes.

Any interim order in respect of Residential, General Service or Diesel cusomers should also be subject to any roll back or refund to one or more classes of customers that may arise from the application of any of the rate mitigation measures set out at part 3 (a) through (d), above.

b) Scope of Future Rate Proceedings

In light of the changes in Manitoba Hydro forecasts, for example those filed as part of the NFAT, MKO suggests that the scope of any General Rate Application in the fall of 2014 include examination of the interim rate increase and any proposed rates to be effective April 1, 2015. It is suggested that any proposed rates beyond March 31, 2016 be considered at a further proceeding.

c) General Comments

MKO appreciates the opportunity to provide these submissions, comments and recommendations on the Manitoba Hydro Application for Interim Electric Rates Effective April 1, 2014.

MKO is available to the Board to discuss any matter set out in these submissions, comments and recommendations or other matter that may be of interest to the Board arising from these submissions, comments and recommendations.

MKO will not be seeking an award of costs at this time.